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SUBJECT: JORDAN SCENESETTER FOR SENATOR JOHN KERRY

¶1. (SBU) SUMMARY: Embassy Amman warmly welcomes the visit of Senator John Kerry. We have confirmed meetings with King Abdullah and Palestinian Authority President Mahmoud Abbas.

¶2. (SBU) SUMMARY CONTINUED: The end of 2009 was marked with a flurry of political changes in Jordan, with the King dissolving the parliament in November. Separately, he dismissed the cabinet and named a new Prime Minister, who formed a new cabinet, in December. The new cabinet, in accordance with the constitution, has begun issuing "temporary" laws in the absence of parliament, as a way to move its agenda forward until parliamentary elections, scheduled to take place during the fourth quarter of 2010, occur. Regional tensions continue to capture the attention of the Jordanian leadership, particularly the stalled peace negotiations between the Palestinians and Israelis and the situation regarding Iran's nuclear program, two issues seen as linked by Jordanian interlocutors. In addition to domestic and regional security concerns, Jordan's leadership is preoccupied with managing a tight budgetary situation. The 2010 Jordanian budget includes \$7.7 billion in expenditures, a \$1.43 billion deficit before grants, and 20% cuts in capital expenditures. As a result, GOJ agencies are curtailing spending, reducing or eliminating some price subsidies, increasing some taxes and fees on residents, and seeking additional financial and technical assistance from the USG and others. END SUMMARY.

Domestic Political Changes

¶3. (SBU) The King constitutionally dissolved the Parliament in late November 2009. The parliament was widely perceived as ineffective. Cooperation between the then-cabinet and parliament had deteriorated to such an extent that only a minimal amount of legislation was offered for parliamentary consideration, most of which was stymied or, if approved, mangled in the process, according to parliamentary observers.

¶4. (SBU) Following the King's dissolution of the parliament, he exercised a constitutional clause which allowed him to extend the normal constitutionally required four-month window for new elections. He also established a ministerial-level committee to consider electoral law reforms; the existing election law has been criticized for privileging rural, East Bank communities over urban communities with large Palestinian-origin populations during the 2007 election. The King announced that parliamentary elections will be held in the last quarter of 2010.

¶5. (SBU) In early December, the King accepted the resignation of then-Prime Minister Nader Dahabi and appointed to replace him entrepreneur Samir al-Rifa'i, who is a former official and advisor to the King in the Royal Court, Foreign Minister Judeh's cousin, and the son of former Prime Minister and Upper House Speaker Zayd al-Rifa'i. In his designation letter to Rifa'i, the King emphasized, among various reform efforts, the need to fight corruption.

¶6. (SBU) Along with the new Prime Minister, a new 29-member cabinet was named and officially sworn in on December 14. Local commentators note a lack of new faces in the cabinet, with 13 returning ministers and seven who served in previous governments. In the absence of a sitting parliament, the new government has begun

to pass so-called "temporary laws" or legislation enacted without parliamentary approval, which will theoretically be subject to parliamentary re-evaluation once new members are elected and seated.

Some commentators see this as a way for the government to pass legislation which otherwise would not have made it through a sitting parliament. For example, much needed tax reform laws, which the previous parliament opposed, were recently enacted as well as a law on renewable energy.

¶7. (SBU) On February 17 the government announced a National Action Plan that is the product of extensive late January meetings by nine ministerial committees and includes over 250 programs designed to increase government accountability, promote investment, expand civil and political participation, and improve public services. Commentary was mixed, with supporters praising its performance based approach and critics saying that it failed to address elections laws or lay out concrete recovery steps.

Middle East Peace

¶8. (SBU) King Abdullah has said publicly that the lack of progress is the greatest threat to stability in the region and hurts U.S. credibility. King Abdullah further asserts that the lack of meaningful progress hurts the ability of the United States to advance its interests on multiple issues in the region, including on Iran. Jordan considers settlement activities, home demolitions, and evictions in Jerusalem to be particularly destabilizing and unhelpful in restarting negotiations. The King has a keen interest in preserving Jordan's role in administering the Haram al-Sharif/Temple Mount complex in Jerusalem and in overseeing other Islamic and Christian holy sites in Jerusalem.

¶9. (SBU) The King remains a resolute advocate of a two-state solution and has responded positively to his engagements with SEMEP Mitchell. Jordanian officials consistently express concern that Jordan will be asked to assume some form of responsibility for the West Bank, a proposition that King Abdullah consistently rejects, as does an overwhelming percentage of the Jordanian public. Many Jordanians currently believe that Israel is unwilling to move forward on peace negotiations.

Iran

¶10. (SBU) Jordan has expressed concerns regarding Iran's nuclear program. Some Jordanians link Iran to regional instability and terrorist organizations Hamas and Hizbollah and argue that regional consensus on Iran depends on meaningful movement on Palestinian-Israeli peace negotiations.

Iraq and Afghanistan

¶11. (SBU) Jordan plays a positive role in regional security efforts, including in Iraq and Afghanistan. Jordan supports a conditional U.S. withdrawal from Iraq that prevents chaos in Iraq, which would impact Jordan, and which limits the Iranian influence there. Despite local press reporting on Jordan's role in Afghanistan, Jordan will continue its security cooperation in Afghanistan. During your audience, the issue of Jordan providing further support in Afghanistan in exchange for additional economic assistance through an anticipated Afghanistan supplemental appropriation may come up.

¶12. (SBU) Jordan hosts numerous Iraqis who have fled the conflict and its after-effects and has provided them with access to some social services. The GOJ emphasizes that hosting the Iraqis has been a burden on the budget, and Jordan has received international aid to ease their already tight fiscal situation. Jordanian officials have previously placed the number of Iraqi refugees between 450,000 and 500,000, but most international organizations and NGOs working with the refugees estimate numbers are significantly lower, in the 100,000 to 200,000 range. Displaced Iraqis in Jordan are integrated and live within Jordanian communities, not in refugee camps.

Budget Challenges

¶13. (SBU) Your visit also comes as Jordan faces a difficult budget environment. The 2010 budget includes \$6.74 billion in projected revenues and \$7.71 billion in expenditures and has a \$1.4 billion deficit before grants, which is 5.8% of Jordan's GDP (estimated at \$24.7 billion for 2010). The 2010 budget features 20% cuts to capital expenditures and 1.4% cuts to current expenditures and will impact GOJ agencies by curtailing their ability to hire new employees and forcing additional cuts in overtime, official travel, and purchases of vehicles and furniture. Existing reform and development projects requiring new staff and/or construction will also face financial constraints. Weak growth in 2009 will translate to lower income and sales tax revenues this year (taxes on 2009 income will be paid in 2010). This along with a downward trend for the collection of land sales and other fees by the GOJ in 2010 portends an even more precarious budget situation during the second half of 2010. This budget environment has already resulted in additional requests from the GOJ for financial and technical assistance.

Assistance MOU

¶14. (SBU) On September 22, 2008, Jordan and the U.S. signed a memorandum of understanding (MOU) related to development, economic, and military assistance. The agreement laid out a five-year non-binding annual commitment of economic support funds (ESF) (\$360 million) and foreign military funds (FMF) (\$300 million). The FY 2011 OMB budget submission includes \$360 million in ESF and \$300 million in FMF for Jordan. In 2009, Jordan secured \$150 million in supplemental appropriations legislation, to be forward financed from the 2010 expected commitment of \$300 million.

¶15. (SBU) A side letter to the assistance MOU spelled out the joint intent to expand cooperation in the political and economic arenas. The side letter draws on the 2006 Jordanian "National Agenda" reform plan and identifies areas of mutual cooperation to be discussed in separate economic and political bilateral dialogues. A bilateral political dialogue meeting focused on equality for women under the law, media freedom, religious tolerance and freedom, prison conditions and inmate treatment, good governance, and a strong civil society was held in Amman in January 2010. The delegation was led by NEA Principal Deputy Assistant Secretary Schlicher with participation from Assistant Secretary Posner from the Bureau of Democracy, Human Rights, and Labor, and Director of Policy Planning Slaughter. GOJ officials have proposed the bilateral economic dialogue take place in April in Washington.

Beecroft